



NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF THE BUILT ENVIRONMENT

DEPARTMENT OF PROPERTY STUDIES AND URBAN DESIGN

TAXATION

BLP4103

Examination Paper

December 2024

This examination paper consists of 5 pages

Time Allowed: 3 hours

Total Marks: 100

Examiner's Name: Mr Nkomo/ J. Mlotshwa

INSTRUCTIONS

- i) Answer All FOUR questions
- ii) Begin the answer of each question on a fresh page
- iii) All figures are in US dollars

MARK ALLOCATION

QUESTION	MARKS
1.	25
2.	25
3.	25
4.	25
5.	25
6.	25
TOTAL FOR ANY FOUR (4) QUESTIONS	100

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QUESTION 1 (25 Marks)

The owner of Computax Computers has enjoyed impressive growth in his business, and has decided to access more space by taking up a five- year lease of an adjoining business. The lessor insists that as the property is in a prime area, Computax must pay a once-off US\$50 000 in addition to monthly rent of US\$2 000. Computax incurs a further US\$20 000 effecting improvements that the lessor demands for the building to be used for the purpose of Computax's line of business. The improvements are completed 6 months into the lease period, and cost US\$10 000 more than Computax had expected. These developments took place in the 2023 tax year.

Computax's Income before considering above expenditures is US\$500 000.

REQUIRED:

- a) Work out Computax's Taxable Income for the Year Ended 31 December, 2023, and amounts falling into Gross Income for successive years (15 marks)
- b) Compute amounts to be included in the lessor's Gross Income in respect of the above for the relevant tax years (10 marks)

QUESTION 2 (25 Marks)

- a) During the 2023 tax year Manufacturer Ltd constructs immovable property and acquires movables as follows:

Industrial Building	US\$800 000
Computer-Donated-valued at	US\$40 000
Commercial Building	US\$600 000

REQUIRED:

Construct a table showing maximum allowances the company can claim in the tax year (13 marks)

- b) Mr Thabani Member owns assets as follows, which he uses for his manufacturing operations:

Industrial building Purchased	Cost: US\$800 000	ITV 1/1/23 US \$480 000
Computer: donated	Valuation: US\$40 000	ITV 1/1/23 US\$32 400
Commercial Building	Cost : US\$ 600 000	ITV 1/1/23 US\$52 500

REQUIRED:

Advise Mr Member what allowances he can claim in the tax year (12 marks)

QUESTION 3 (25 MARKS)

- (a) Mr Luthuli purchased a Principal Private Residence (PPR) in February 2020 for US\$30 000, and sold it in May 2023 for US\$90 000. He immediately bought another PPR for US\$120 000

REQUIRED:

Compute the Capital Gain in 2023, indicating the Capital Amount suspended after claiming roll-over relief. Assume an inflation allowance of 2.5% pa (15 marks)

- (b) Section 10 of the Capital Gains Tax Act exempts an Elderly Person from paying tax on the disposal of a Principal Private Residence. Define a PPR in terms of the provisions of this Section of the Act (5 marks)
- (c) What social objectives might be achieved through the imposition of taxes on property? Briefly describe how the level of taxes in an economy might be assessed.(5 marks)

QUESTION 4 (25 MARKS)

During the 2023 tax year Mr Knight purchased a block of flats on 1 November. The flats had been erected by the previous owner between February and September, 2023. The block contains 12 identical flats, all identically furnished. They are fully serviced and, except for the one occupied by Mr Knight, each earns a rental of US\$150 per month payable in advance. The following account is furnished for the period 1 November to 31 December:

Income and Expenditure Account

	\$		\$
Advertising	1000	Gross Rents received	46 500
Rates	1800	Net Loss	24 000
Electricity and water	4800		
Insurance	3000		
Wages	1800		
Legal expenses	-		
Repairs	20 000		
Bond Repayments	7 000		
Bond Interest	6 000		
General Expenses	2 500		

Travelling Expenses	540		
Depreciation	10 460		
	70 500		70 500

The following further information is provided:

1. Gross rents include \$15 000 received in advance under a year's lease. One tenant's December rent was not received until January
2. Advertising includes advertising for staff.
3. Insurance is fully allowable.
4. Wages relate to staff who service the flats.
5. Repairs include:

Sundry allowable expenses	1 400
Closure of existing exit in block of flats, construction of new exit	1 500
Replacement of broken burglar bars and bulbs	500
Cleaning materials	300
Tarring gravel driveway	2 600
New culverts at entrance to drive	400
Repainting of marked and stained parts of Mr Knight's flat on 1 November	200
Re-siting of plug sockets in flats	100
Erection of built-in-cupboards	3 000
Replacement of leaking tin roof of staff housing with tiled roof	<u>10 000</u>
	20 000
6. \$500 000 was borrowed and used to purchase the property for \$700 000
7. General expenses are all allowable.

REQUIRED:

Prepare a Tax Computation for Mr Knight. He claims all statutory allowances